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Australia

Cotton and Products

Cotton Update

2003

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Report Highlights:

Cotton production in 2003/04 is expected to be down from the previous projection and also below last year's drought-reduced crop. Shortages of irrigation water are severely constraining cotton area. The reduced crop will also lower cotton available for export.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Canberra [AS1]
[AS]

Cotton Update

Production

Cotton production in 2003/04 is forecast at 220,000 metric tons (equivalent to approximately one million 480-pound bales), down sharply from the previous forecast (see GAIN Report #AS3016, dated 5/29/03), and also 31 percent below the 2002/03 drought-reduced harvest and 70 percent lower than the near-record crop of 745,000 MT in 2001/02. An extended drought that began in late 2001 and which is just now dissipating has caused a steep drop in irrigation water supplies and is constraining cotton area. In normal times, more than 80 percent of the Australian cotton crop is irrigated.

There is a considerable range of forecasts for the size of the 2003/04 cotton crop. In their September 2003 Crop Report, the Australian Bureau of Agriculture and Resource Economics (ABARE) forecast cotton production at 227,000 MT. The Australian Cotton Shippers Association are expecting a 2003/04 cotton crop of up to 1.5 million bales (about 330,000 MT.) Other cotton industry sources are forecasting a very poor 2003/04 crop, with some expecting the harvest to fall well below the one million-bale mark.

There has been favorable rainfall of late in cotton growing areas of northern New South Wales. This precipitation has helped to recharge soil moisture profiles and will take some pressure off usage of limited irrigation water supplies. The rainfall, however, has not been nearly sufficient to provide any significant boost in depleted irrigation water supplies.

Improved soil moisture levels are expected to lead to a significant increase in dryland cotton production in 2003/04. These dryland plantings, however, are not expected to offset the projected decline in area planted to irrigated cotton, as reservoir levels are all well below normal and most are well below the levels in the comparable year-ago period. A table is included in this report that demonstrates the low water levels in major reservoirs of northern New South Wales. Similar below average water levels also characterize the major reservoirs in Queensland. New South Wales (NSW) typically grows around 70 percent of Australia's cotton and Queensland the remainder. Cotton planting is currently ongoing and will continue into the month of November.

According to ABARE, the current irrigation water shortage is the cumulative effect of low inflow levels and high water demand over the past three years. Much of the annual inflow into the irrigation storage system typically occurs during winter and spring, and with the breaking down of drought some reservoirs and on-farm storage facilities have improved. However, time has virtually run out for any significant further improvement. ABARE does note that some producers may choose to take a chance and plant additional area with the potential of a future improvement in water allocation as the season progresses.

Total cotton harvested area is forecast at 160,000 hectares, down from the 205,000 hectares last season and only one-half as compared to a five-year average. ABARE's September 2003 Crop Report forecasts cotton area in 2003/04 at 135,000 hectares. With an expected higher proportion of dryland cotton this season, Post forecasts a national yield of only 1.375 MT/hectare, which is well off a longer-term average level. The area planted to dryland cotton still depends critically on precipitation over the next several weeks.

ABARE projects cotton plantings in NSW in 2003/04 at 83,000 hectares and Queensland at 52,000 hectares. According to ABARE, cotton area in NSW last season was 151,000 hectares, which also was well off the record area of 381,700 hectares in 1998/99. In Queensland, ABARE estimates cotton area in 2002/03 at 53,000 hectares, also well under the record area of 185,500 hectares in 2000/01.

There are reports that there will be increased plantings of short-season cotton in usual rice-growing areas of southern NSW, as irrigation water is in much better supply in this region. With favorable cotton prices, cotton, which needs about 8 megaliters per hectare, is seen as a better alternative to rice, which needs twice the quantity of water, or more.

Australia's cotton producers have been growing biotech cotton for a number of years. This is the first year that producers will be planting commercial quantities of the newly approved Bollgard II (Bt cotton) variety.

The estimate of Australia's 2001/02 cotton production of 745,000 MT is an upward revision from Post's previous estimate of 693,000 MT based on a revision by ABARE.

Trade

Australia's cotton exports in marketing year (MY) 2003/04 (August-July) are forecast at 300,000 MT, sharply lower than in 2002/03 and 2001/02, as reduced production is expected to trim supplies available for export.

Cotton exports in MY 2002/03 are estimated at 578,102 MT, based on official government statistics as provided by the Australian Bureau of Statistics (ABS). ABS reports that Australia's 2002/03 cotton exports were valued at A\$1.12 billion (US\$0.65 billion). The major export destinations for Australian cotton in 2002/03 were Indonesia, Japan, South Korea and Thailand, which accounted for over three-quarters of all shipments.

Recent Post Reporting on Cotton

ABARE September Crop Report, AS3029, 9/09/03
Cotton and Products Annual 2003, AS3016, 5/29/03

TABLES

Australia Cotton							
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		08/2001		08/2002		08/2003	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	420000	410000	225000	205000	220000	160000	(HECTARES)
Beginning Stocks	456137	460768	481393	528583	289858	268527	(MT)
Production	696725	745000	370135	320000	340000	220000	(MT)
Imports	435	372	0	223	400	400	(MT)
TOTAL SUPPLY	1153297	1206140	851528	848806	630258	488927	(MT)
Exports	675170	675380	578064	578102	437709	300000	(MT)
USE Dom. Consumption	32659	38102	27216	38102	38102	38102	(MT)
Loss Dom. Consumption	-35925	-35925	-21773	-35925	-35925	-35925	(MT)
TOTAL Dom. Consumption	-3266	2177	5443	2177	2177	2177	(MT)
Ending Stocks	481393	528583	268021	268527	190372	186750	(MT)
TOTAL DISTRIBUTION	1153297	1206140	851528	848806	630258	488927	(MT)

Northern NSW Reservoir Levels (percent full)				
Region/Dam	11/1/2001	11/1/2002	10/1/2003	10/27/2003
MacIntyre River				
- Glenlyon Dam	53.3%	43.8%	9.6%	10.8%
- Pindari Dam	91.8%	50.0%	28.1%	39.3%
Moree/Gwydir Valley				
- Copeton Dam	60.7%	29.3%	16.6%	16.2%
Narrabri/Naomi Valley				
- Keepit Dam	64.4%	30.7%	20.6%	20.5%
Dubbo/Macquarie River				
- Burrendong Dam	81.5%	25.2%	28.6%	30.3%
Forbes/Hillston/Lachlan Valley				
- Wyangala Dam	75.7%	28.8%	14.5%	16.6%
- Carcoar Dam	98.5%	71.9%	31.8%	33.3%
Source: NSW Department of Land and Water Conservation.				

Cotton Imports Aug 02 - Jul 03		
Origin	Value (A\$)	Quantity (MT)
India	\$233,630	61
Pakistan	\$151,011	57
USA	\$100,720	35
Tajikistan	\$117,985	19
Belgium	\$63,955	15
Turkmenistan	\$63,704	10
<i>Others</i>	<i>\$150,115</i>	<i>26</i>
TOTAL	\$881,121	223

Cotton Exports Aug 02 - Jul 03		
Destination	Value (A\$)	Quantity (MT)
Indonesia	\$364,662,099	181,519
Japan	\$161,432,877	90,804
Rep. of Korea	\$171,052,362	88,825
Thailand	\$156,194,714	80,478
China	\$56,396,801	28,311
Pakistan	\$43,302,593	23,552
Italy	\$34,003,182	16,306
Taiwan	\$26,703,048	12,875
Ireland	\$16,014,512	8,744
India	\$12,444,519	6,847
Hong Kong	\$10,409,523	5,469
Bangladesh	\$11,187,670	5,301
Malaysia	\$8,868,714	4,660
Vietnam	\$6,745,997	3,694
Spain	\$5,849,335	3,075
Turkey	\$5,301,652	2,977
Singapore	\$5,634,555	2,843
The Philippines	\$5,181,033	2,731
Sri Lanka	\$5,176,259	2,724
Peru	\$4,802,955	1,754
<i>Others</i>	<i>\$10,310,181</i>	<i>4,614</i>
TOTAL	\$1,121,674,581	578,102